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C O N F I D E N T I A L SECTION 01 OF 02 BEIJING 003386

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SUBJECT: ECONOMIST WU JINGLIAN U.S. SPY RUMOR SCOTCHED

REF: OSC/FBIS CPP20080831066002

Classified By: Political Section Minister Counselor Aubrey Carlson. Reasons 1.4 (b/d).

Summary

1. (C) Beijing's reform-minded intellectual community was abuzz over the weekend with an Internet rumor that prominent reform economist and leadership advisor Wu Jinglian had been arrested as an American spy. Wu's State Council office was quick to publicly reject the rumor as false, and PRC media, including China's official news agency Xinhua, followed suit after Wu held an August 30 press conference to declare his innocence. End Summary.

Rumor Shakes Reform Intellectuals

2. (C) An Internet report that prominent reformer and dean of China's market-oriented economists Wu Jinglian had been detained and was being investigated as an alleged "American spy" rippled through Beijing's reform intellectual community late last week, prompting concerned queries from Chinese contacts and expressions of disbelief to PolOff and a call to the Embassy Public Affairs section. The report originated with the Chinese dissident website Boxun, based in New York, late August 27 and quickly spread through phone calls and text messages. Reform-minded senior editors at Party or Government-run media organs expressed stunned disbelief to PolOff August 28-30 and inquired about the report's credibility. Dong Yuyu (protect), an editor at the CCP Central Committee paper Guangming Ribao, Yang Ziyun (protect), reform activist and editor at China Reform (Zhongguo Gaige), the official journal of the National Development and Reform Commission, and Deng Yuwen (protect), editor at the Central Party School's official weekly Study Times (Xuexi Shibao), told PolOff that cell phones were ringing constantly and the report was the main focus of conversation among China's reform intellectuals.

Prompt Official Response to Clear Wu's Name

3. (C) On August 29, Wu's home office, the State Council Development Research Center's Market Economics Research Institute, posted a special announcement to its website rejecting the spy report as "a false rumor" without mentioning its content. The announcement said the Center had received many inquiries regarding Wu's situation and that his "work and personal life are normal." It said Wu would attend a weekend forum on reform as planned. On September 1, China's official news agency Xinhua cited the Center's statement and remarks Wu made rejecting the rumor at a press conference following the reform forum, which Wu attended. Calling Wu a "famous economist," Xinhua stated that he had been "implicated in an American spy case" and that he had been "astounded" when he heard the rumor and that it had "snowballed" over the four days. Xinhua quoted Wu as

questioning the originator's motives and as calling for an investigation into the episode. Dong and Yang both confirmed to PolOff by August 29 that Wu had told them the rumor is false. In an email to PolOff September 1, Yang confirmed that Wu had indeed attended and addressed the forum on August 30. (Note: The forum was sponsored by the independent, liberal think tank, Unirule Institute)

14. (C) PRC print media also quickly picked up the story, especially reform-oriented papers such as Beijing's China Youth League paper, Beijing Youth News (Beijing Qingnian Bao), and the unofficial mass-circulation dailies, The Beijing News (Xinjing Bao), Shanghai's Dongfang Zaobao, and Guangzhou's Southern Metropolis (Nanfang Dushi Bao). (See Ref) In addition to citing the Center's announcement and Wu's comments at the reform forum, these papers elaborated on Wu's reform credentials, noting that he is known as "Mr Market Economics" and the "conscience of China's economy" and citing his recent statement that "(further) reform is the only way out" (of current problems). Predictably, Utopia (wuyou zhi xiang), a website affiliated with China's hardliners, who have been consistent critics of Wu's ideas, cast aspersion on Wu's character, hinting that the rumor may be true.

#### Wu's Checkered History -----

15. (C) Wu was a prominent member of the late former Party General Secretary Zhao Ziyang's reform-oriented think tank in the late 1980s but disappeared from public view when Zhao was purged in the wake of the military crackdown on the pro-democracy student demonstration in Tiananmen Square in

BEIJING 00003386 002 OF 002

1989. At the time, Wu was a close Embassy contact. Wu had regained much of his stature by the late 1990s and in recent years has been an advisor to the central leadership and a highly visible advocate in China's state-controlled media of further market reform. However, in recent years, he has had little contact with the Embassy.  
RANDT